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HIGHLIGHTS

1986

ONTARIO BUDGET


THE
HONOURABLE
ROBERT F. NIXON
TREASURER
OF ONTARIO



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1986
Ontario
Budget

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Treasurer of Ontario and
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The 1986 Ontario Budget combines social concern with common sense and a businesslike approach to the management of government. The Budget promotes investment in technology and entrepreneurship to enhance Ontario's competitiveness. It responds to the individuals, regions and industries that need immediate help and provides for the longer-term needs in Ontario's social programs. It introduces improvements to fiscal management that will contribute to the goal of paying for operating expenditures from current revenues. The Budget reduces Ontario's borrowing and operating deficit. It proposes no general tax increases.

Economic Outlook

Ontario's economic outlook continues to be positive. Real growth in 1986 is expected to be 4.2 per cent; inflation will decline to a projected 3.8 per cent. The 1986 unemployment rate is expected to decrease to 6.9 per cent, and 175,000 new jobs will be created. Lower inflation and interest rates will contribute to a strong 10.3 per cent increase in investment spending in 1986; 68,000 housing starts are expected, the best performance since 1978.

Enhancing Ontario's Competitive Position

The Budget stimulates innovation, supports new and growing companies, encourages better skills training and promotes excellence in education.

Investing in Technology

The Budget provides \$100 million as the initial contribution to a \$1 billion technology fund for the

next decade, to be directed by a council chaired by Premier Peterson.

Investing in Entrepreneurship

The Ontario Development Corporation (ODC) will be revitalized and expanded to include a New Ventures program to aid newly-established businesses and Innovation Ontario, a program for the high technology sector. The Small Business Development Corporations (SBDC) program will be broadened to include firms offering certain support services to business. An additional \$10 million will be allocated for tourism initiatives.

Employee Share Ownership Plans

To encourage employee participation in business, the Province is proposing a 15 per cent tax credit for employees on up to \$2,000 of annual purchases of eligible shares in their employer's corporation. The Province plans to compensate businesses for one-third of the costs of setting up plans, to a maximum of \$10,000.

Ontario will approach the federal government to discuss opportunities to make greater use of income tax provisions for profit-sharing to support employee share ownership.

Training

The Budget doubles the Province's allocation for skills training to \$100 million. The total allocation for skills development and youth employment will be increased to \$275 million.

Investing in Education

Universities will be major beneficiaries of the Premier's technology fund, with \$15 million provided to support Ontario's applied research

capacity. This is in addition to the \$80 million Excellence Funds for colleges and universities.

Regions and Communities

The Budget continues to strengthen the Province's partnership with local governments.

Basic funding increases for school boards, municipalities, hospitals, universities and colleges will be announced by November 1.

The timeliness of Provincial payments to municipalities will be improved to ease their short-term financing requirements.

The Community Economic Transformation Agreements (CETA) program is being renewed and broadened; \$25 million will be provided for these agreements over the next two years.

The Budget responds to regional concerns:

Northern Development

- A \$10 million increase for health care and transportation initiatives and an additional \$5 million for new educational programs.
- \$17 million in 1986-87 from the \$100 million Northern Development Fund.
- An Ontario Hydro Northern Advisory Board.

Eastern Ontario Development

- Additional funds available from the renewed CETA program.
- Increased benefits to Eastern Ontario from the reorganization and increased funding of the ODC.

Agriculture

The Ontario Family Farm Interest Rate Reduction Program will be extended, the Farm Operating Credit Assistance and Beginning Farmers Assistance Programs expanded, and research, marketing and education initiatives introduced.

The budget for the Ministry of Agriculture and Food is increased to \$457 million -- a 39 per cent increase since the Government took office.

Quality of Life

Social Assistance recipients will benefit from \$25 million annually in additional shelter subsidies.

Child Care

Child care is recognized as a basic public service and a comprehensive plan is being prepared. The Budget adds \$6 million for capital expansion and other pressing problems to the \$26 million increase for child care initiatives already announced for this year.

Community Support Services

Community support services are being strengthened to help people lead more independent lives. The Budget provides \$13.5 million for senior citizens' services, \$15 million in programs for the disabled and \$17 million for community and residential services for the developmentally handicapped.

Health

An \$850 million multi-year hospital capital expansion program will provide for new acute and

chronic care beds, and improvements to existing hospital and cancer treatment facilities.

An initiative to extend dental services for children with urgent needs will be proposed by the Minister of Health.

Environment

The Budget continues support for the Security Fund for waste clean-up, and provides new funding to enable efficient responses to toxic spills and improved monitoring of water quality. A \$15 million biomedical waste treatment plan for hospitals will be announced by the Minister of Health.

Housing

The Budget confirms that 5,000 rental units will be built through the Renterprise program. Federal-provincial programs will provide 6,700 units of non-profit and cooperative housing, including at least 4,700 subsidized units for low-income families.

The Arts

A four-year, \$10 million program, Investing in the Arts, will provide incentives for fund-raising and improve the financial strength of Ontario's arts organizations.

Federal-Provincial Issues

The Budget proposes cooperative federal-provincial discussions on tax reform and the financing of child care and a review of income support programs.

It cautions the federal government about its proposal for international banking centres, social

program cuts suggested by the Nielsen Task Force and the need for consultation on possible tax changes, including a business transfer tax.

Ontario revenues have been reduced by recent federal policies. This includes the \$500,000 capital gains exemption, opposed by Ontario. Because no practical option could be found, the Province will not proceed with its own capital gains tax.

Fiscal Management

The Budget outlines a pay-as-you-go fiscal policy and a new businesslike approach to capital expenditure planning.

Ontario's financing and debt management strategies are being reviewed, as are financing issues related to the indexing of Ontario's two major public sector pension plans.

Lottery revenues will be used for a broader range of Provincial objectives, such as cancer treatment facilities and hospitals, as well as community recreation and cultural activities.

The Budget proposes measures to improve the fairness of the tax system with no general increases in major taxes.

- Tobacco tax will rise by 0.13 cents per cigarette.
- The three per cent personal income tax surtax on high incomes will be continued.
- A ceiling will be placed on the retail sales tax support for the purchase of alternative fuel vehicles and the sales tax exemption for heavy trucks and trailers will be removed.
- The federal treatment of reserves in the corporate income tax will be paralleled and

current rules for the calculation of the capital tax base will be tightened and simplified.

- Ontario's income tax reduction program will be broadened, saving low-income Ontarians an additional \$15 million next year.
- OHIP premium payments will be eliminated for an additional 35,000 low-income Ontarians in 1987.
- The Retail Sales Tax exemption for low-priced meals will be raised from \$1 to \$2.

Fiscal Plan

Net cash requirements are reduced to \$1,544 million, down from \$1,629 million last year before extraordinary adjustments. Including these adjustments, net cash requirements have declined by \$590 million from \$2,134 million last year. The operating deficit is \$263 million below the 1985-86 level.

New Budget Process

The Budget confirms that consultations on the 1987 Budget will begin this autumn. An outlook paper will be presented to the Legislative Committee on Finance and Economic Affairs to assist the debate. The Legislative Committee will be asked also to examine other important public policy issues, including the growing concern about the concentration of corporate ownership.

Conclusion

- *The Budget provides for the program outlined in the Speech from the Throne.*
- *It adopts a longer-term approach to the management of Government.*
- *It introduces programs to maintain Ontario's economic prosperity and create jobs.*
- *It describes the Government's programs to assist business in meeting the competitive challenges of the 1990's and the rationalization and simplification of the delivery of those programs.*
- *It responds to the crisis in the Ontario farm community.*
- *It funds programs essential to maintaining and improving the quality of life in Ontario.*
- *It establishes new standards for fiscal management.*
- *It proposes no general tax increases.*

Enquiries

General enquiries about the 1986 Ontario Budget should be directed to:

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